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CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

8 April 1957

MEMORANDUM FOR THE DIRECTOR (Draft)

SUBJECT: Some Long-range Threats to Burma

1. At present, the political situation in Burma is relatively calm and stable. Prime Minister U Nu has returned to office with less freedom of action than he enjoyed before his resignation and has promised to coordinate future major policy decisions with the Burma Socialist Party faction of the governing AFPFL coalition. The disagreement between U Nu and Kyaw Nyein, which threatened the unity of the government, apparently has been patched up for the time being. The provisional settlement of the Chinese-Burmese border disputes reached last fall has not been finalized, but the tension the dispute generated has largely subsided. There has been some slight modification in the government's general policies and international orientation in the direction of a stiffer attitude toward the Bloc and internal Communism. The government has announced its decision to cut rice shipments under the barter agreements with the Bloc to about one-fourth of last year, thereby reducing Burma's increasing economic dependence on the Bloc. An aid and loan agreement of \$25 million has been reached with the US which

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DOCUMENT NO. 1
NO CHANGE IN CLASS. ☐
☒ DECLASSIFIED
CLASS. CHANGED TO: TS S G
NEXT REVIEW DATE: _____
AUTH: HR 70-2

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will probably further reduce Bloc influence. Although Burma's economic development continues to be very slow and its financial condition has deteriorated during the past year, the country appears to be in no serious danger of economic collapse. With the return of a rice seller's market in 1957, the economic situation will probably improve.

2. But beneath the surface there are a number of factors which pose serious threats to Burma's continued political stability. Perhaps the most immediate of these is the general decline in law and order over the past several months. Both ordinary banditry and organized insurgent activity have increased markedly and the military and police authorities appear to be unable or unwilling to cope with the situation. The general decline in internal security is impeding normal commercial activity and contributing to public demoralization and disillusionment. If the situation does not improve, or grows worse, the government's prestige and political support will certainly diminish, and public pressure for negotiation with insurgent groups will probably increase.

3. Over the longer run, perhaps the most important threat to the government is the National United Front (NUF), a coalition of leftist and Communist parties including the Burma Worker's and Peoples Party. It is the principal opposition party and it made significant

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gains in the elections for the Chamber of Deputies last April. The NUF gains were probably due primarily to a growing public dissatisfaction with the AFPFL and the widespread corruption among government officials. U Nu resigned as Prime Minister last spring ostensibly to reorganize and clean up the AFPFL. It does not appear likely that he has accomplished much along that line. Unless there is some improvement in the standards of efficiency and honesty in government and in the general level of economic welfare, there is a danger that over a period of two or three years the AFPFL may lose much of its popular support to the NUF. There is also a danger that the AFPFL, to achieve leftist unity, may accept Communist dominated individuals or parties into its ranks or into the cabinet.

4. Dissension within the Burmese army is increasing. This is due primarily to tension between the old line career officers, many of whom are Anglo-Burmans or members of ethnic minority groups, and officers sponsored by the Socialist party in its effort to gain control of the army. In the April elections there was a considerable NUF vote in army units. Probably this was mostly a protest vote based on dissatisfaction with government corruption and with government political activities in the army. However, if dissension within the army continues, its limited capabilities may be impaired.

5. Over the past several years there has been a steadily increasing infiltration of Chinese into Burma, some of them agents

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carrying forged documents. Although there is no accurate count of these illegal entrants, the embassy now estimates the overseas Chinese residents in Burma at 400,000 to 500,000 in contrast to estimates of 300,000 shortly after World War II. The recent Chinese arrivals have fanned out over north and central Burma, settling down and opening businesses in the towns and villages. Some have settled in Rangoon where the Bank of China is reportedly advancing them money to buy up real estate and rice mills, and to open businesses. In addition, Chinese diplomatic missions in Rangoon and Lashio have been effectively reorganizing the overseas Chinese Communities. The Burmese government has not been able to cope with this illegal immigration, and even a satisfactory settlement of the border dispute will probably not end the problem.

6. The Communist insurgents have recently stepped up their terrorist activities and staged a number of spectacular raids. Probably the insurgents are using violence to remain in the public eye and to increase pressure on the government to negotiate with them. We do not believe the insurgents have the capability for a sustained increase in guerrilla activity. Nevertheless, they are capable of disrupting economic activity and administration in many parts of Burma. Although U Nu has stated that the government will not negotiate with the Communist insurgents, he has promised to moderate the

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penalties and legalize the political organizations of those surrendering with their arms. Over a period of time the Communist insurgents may be able to inconvenience the government sufficiently to win concessions which would allow them to wage their battle above ground and by political means.